



ATTORNEYS AND COUNSELORS AT LAW

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March 10, 2006

VIA E-FILING & HAND DELIVERY

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 05-61; Milford Water Company

Dear Ms. Cottrell:

Enclosed for filing please find Milford Water Company's responses to the Second Set of Information Requests of the Town of Milford as set forth on the attached list.

Any questions on this matter should be directed to the undersigned.

Very truly yours,

Eric J. Krathwohl

Encl.

cc: Shaela McNulty Collins, Esq., Hearing Officer – Settlement Intervention Staff
John Geary, Esq., Hearing Officer – Adjudicatory Staff
Gerald M. Moody, Esq.
Henry C. Papuga, Manager
Stephen B. Alcott

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Responses to Information Requests:

Town 2-1

Town 2-2

Town 2-3

Town 2-4

Town 2-5

Town 2-6

Town 2-7

Town 2-8

Town 2-9

Town 2-10

Town 2-11

Town 2-12

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Town 2-14

Town 2-15

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

**MILFORD WATER COMPANY RESPONSES TO THE
SECOND SET OF INFORMATION REQUESTS OF THE
TOWN OF MILFORD
D.T.E. 05-61**

Respondent: Henry C. Papuga
Response Date: March 10, 2006

Town 2-1 Referring to Mr. Papuga's Direct Testimony (pg. 2), please provide a current update as to the status of water sales to the Town of Hopedale. Please provide your best estimate of the level of sales during the rate year, given the fact that Hopedale does not appear to be able to enhance its water supply sources. Similarly, make your best projections for two or three years beyond the rate year.

Response: See response to Town 1-43 as to the status of Hopedale's supply development which is inextricably tied to the status of water sales. In light of the information in that response and in the response to SIS1-3 (i.e. that Hopedale would cease purchases upon DEP approval of their facility), the Company's best estimate is that in 2006 Hopedale will purchase from the Company at the rate experienced in 2005, until DEP approval is received, and that in 2007 Hopedale will make no further purchases.

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Town 2-2 Referring to Mr. Papuga's Direct Testimony (pg. 2), please provide a copy of the "20 year master plan for water supply" that he cites on line 22.

Response: See response to Town 1-30.

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Response Date: March 10, 2006

Town 2-3 Referring to Mr. Papuga's Direct Testimony (pgs. 3 and 4), he indicates that the Company's customer base (Residential and Commercial) has grown significantly in recent years. Does he expect this trend to continue for the next 4 or 5 years? If not, what growth does he expect through the rate year and 2 or 3 years thereafter. Please be specific and cite any studies, reports or analysis upon which he bases his expectations. Also how will these expectations, if realized, affect total water sales over the same period? To what extent, if any, does he expect any factors to occur that would offset this growth potential, such as conservation measures, or decreases in average use per customer or per capita?

Response: Based upon past annual reporting, there is no dispute that the Company's customer base has grown. The Company expects this trend to continue for the next 4 to 5 years. The Company reviews a number of factors in assisting it to predict future growth and water needs. It is important to define residential and commercial growth. Growth could be the increase in customer base and service connections or it could be water usage. Although it is common to see increased water usage with increasing residential and commercial service connections, it is not absolute. Also, it is important to note the impact the weather has upon annual usage as a hot, dry summer would cause a substantial increase in residential water usage until a water ban would be implemented.

The Company has recently utilized three sources for predicting growth, water use and water conservation efforts and impacts. The first source is a book entitled, 'Handbook of Water Use and Conservation' by Amy Vickers, May 2001. The second source is the Town of Milford, Massachusetts Comprehensive Plan 2003. A copy of this plan is available in print, CD Rom and as a link on the town's web page. The third source is the area regional planning agency, Metropolitan Area Planning Council (MAPC). This source is particularly valuable because it is updated on a very regular basis and accounts for area economic conditions. It's web site address is www.mapc.org.

The Company has prepared and attaches Milford's community projections from the MAPC data. As you can see, the population, number of households and employment are expected to increase in 2010, 2020 and 2030.

Metropolitan Area Planning Council

January 31, 2006

Community Projections

MILFORD	2000	2010	2020	2030
Population	26,799	28,237	29,388	30,301
Households	10,420	11,195	11,934	12,555
Employment	13,427	14,342	15,127	15,769
Financial Activities	474	521	559	590
Government	567	599	626	648
Other Services	400	449	489	522
Leisure and Hospitality	1,371	1,522	1,647	1,751
Prof./Business Services	1,052	1,201	1,323	1,423
Information	206	228	246	260
Trade, Trans. & Utilities	2,664	2,862	3,027	3,162
Manufacturing	2,796	2,643	2,536	2,441
Nat. Res., Mining, Const.	477	547	602	647
Edu. & Health Services	3,419	3,771	4,072	4,323

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Town 2-4 Referring to Mr. Papuga's Direct Testimony (pg. 5), and assuming the Commission took the full statutory timeline to approve a change of rates for the Company, please provide an estimate of the level of rate increase that would be needed at that time to cover all costs during the first year that the new rates would be in effect (August 2006 through July 2007)? Using a similar 2 phase approach as proposed in this case, what would the corresponding percentage rate increases be if phase 2 started in August 2007?

Response: The calculated revenue deficiency is needed now to cover the Company's cost of providing service now. The later rates go into effect, the more likely that cost will be higher – certainly interest rates are increasing, energy costs are increasing overall, the Company's amount of plant in service is increasing. Because rates are set using costs determined at a specific point in time and the cost of service continues to increase, the Company will not likely receive a level of rates sufficient to cover all its costs of providing service regardless of the timing suggested in the question.

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Town 2-5 Referring to Mr. Papuga's Direct Testimony (Pgs. 10), other than the significant delays in expanding your sources of supply due to federal agencies and the DEP, have there been other factors causing or adding to the fact that it has taken so long to add a new source of supply? If there are, please list the major ones and the relative contributions each has in comparison to those caused solely by federal agencies or the MADEP. Is it possible that the sites chosen were particularly difficult one and/or the Company failed to recognize potential problems or propose less sensitive alternatives?

Response: Regarding the lengthy delay in expanding the Company's sources of supply due to the review and approval of federal agencies and the MADEP, there have not been any other major contributing factors. The Company clearly understood the complexities associated with developing the Louisa Lake Project and Upton Well Project. It is true that these sites were particularly difficult to develop based upon the required regulatory approvals. It is not true that there are less sensitive locations available for new source development. For these reasons, the Company continues to investigate interconnections with abutting communities and reduction of existing customer demands.

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Town 2-6 Referring to Mr. Papuga's Direct Testimony (Pgs. 10 and 11) – How will the alternative miscellaneous expense method of recovering emergency supply costs work? Is the Company proposing to add an estimate of what this additional cost might be on average over the next several years? If so, what amount are you proposing? What happens if you don't incur such costs for a few or more consecutive years, or if that amount is greatly exceeded for a few or more consecutive years. Has the Company considered simply filing for emergency relief if the circumstances in fact warrant it?

Response: The alternative method of recovering costs of purchased water is really the standard ratemaking method of collecting any variable cost of providing utility service. This approach is shown in the Company's initial filing at page 52 of 67 of Tab 6. Specifically, the Company used a 3 year experience, averaged the costs and then amortized that cost over 2 years. The amortization is quite conservative considering that the Company has had to incur such costs each of the last three years. The amount of purchased power cost in the revenue deficiency calculation is thus \$25,000. Like any other cost in the ratemaking process, it is an attempt to ascertain what the cost of providing service is and actual costs may be greater or less than what was used in setting rates, but it is not re-opened in the ordinary course. The Company does not believe that emergency relief (if available) would be as simple or efficient as either of the two options presented.

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Town 2-7 Referring to Mr. Papuga's Direct Testimony (Pg. 11) - How do you plan to enforce the prohibition of new water irrigation systems?

Response: The Company had notified the MA Department of Environmental Protection and Town of Milford of the action to prohibit new water irrigation systems effective January 1, 2005. Because a town permit is required before installation of an irrigation system, the Company will first rely upon the town to take the appropriate action as required. For customers that install irrigation systems without town notification, Company employees have been instructed to report the installation or existence of all irrigation systems. The Company meter reader is the most important person to confirm the existence of a system as he reads every meter four times per year. If an unauthorized system is located, the Company will notify the customer by letter requiring the irrigation system be disconnected from the public water system. If the customer does not comply, the Company has the authority to terminate service to the property.

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Response Date: March 10, 2006**

Town 2-8 Referring to Mr. Papuga's Direct Testimony (Pg. 11) - Can any portion of the Louisa Lake Project be categorized as used and useful plant in service? If any portion can be, please explain in detail your rational for such a conclusion. When is the earliest possible date that the project can supply water for the system? What is your best estimate of the most likely date for this to happen?

Response: No portion of the Louisa Lake Project is categorized as used and useful plant in service at this time. The Company can not estimate the earliest date the project can supply water for the system. The permitting for such project is being reviewed by Company counsel. The reason for discussion of this and other supply projects in Mr. Papuga's testimony is to explain the water supply challenges faced by the Company, which challenges are a factor in some of the rate design proposals.

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Response Date: March 10, 2006

Town 2-9 Has the Company included any portion of the funds expended (\$1,000,000+ for the two supply projects) or to be expended before the in service date of the Louisa Lake Project in its pro-forma total cost of service for the rate year? If it has, please explain in detail why the Commission should agree with this inclusion.

Response: No portion of the funds expended (\$1,000,000+ for the two supply projects) are included in the Company's pro-forma total cost of service for the rate year.

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Respondent: Henry C. Papuga
Response Date: March 10, 2006

Town 2-10 Referring to Mr. Papuga's Direct Testimony (Pg. 11) - Can any portion of the Upton Well Project be categorized as used and useful plant in service? If any portion can be, please explain in detail your rational for such a conclusion. When is the earliest possible date that the project can supply water for the system? What is your best estimate of the most likely date for this to happen?

Response: No portion of the Upton Well Project is categorized as used and useful plant in service at this time. The Company can not estimate the earliest date the project can supply water for the system. The entire project is currently delayed as the Company is waiting for a letter requested by the US Army Corps of Engineers from the Town of Upton indicating it supports the project. The Town of Upton's Town Administrator and the town's water supply consultant had been contacted on numerous instances asking the status of the project letter. To date no response has been received.

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Town 2-11 Has the Company included any portion of the funds expended (\$1,000,000+ for the two supply projects) or to be expended before the in service date of the Upton Well Project in its pro-forma total cost of service for the rate year? If it has, please explain in detail why the Commission should agree with this inclusion.

Response: No portion of the funds expended (\$1,000,000+ for the two supply projects) are included in the Company's pro-forma total cost of service for the rate year.

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Town 2-12 On page 11 (lines 13 and 14) of Mr. Papuga's Direct Testimony he states that "...the viability of these projects is in doubt." Given this doubt, what likelihood or probability does he feel each of these projects has in being brought to fruition by the end of the rate year?

Response: The Company states that neither the Louisa Lake Project and/or Upton Well Project will not be brought to fruition by the end of the rate year.

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Town 2-13 Referring to Mr. Papuga's Direct Testimony (Pg. 12, lines 8 through 19) - Please provide the Company's best estimates of each of the expenses that he indicated as being likely to change before the end of this case as of January 1, 2006.

Response: The Company expressed concern of a number of expenses that had increased substantially since the end of the test year. In addition to the mentioned debt, payroll and health insurance expenses the Company was referring to petroleum products (gasoline for vehicles and heating oil for buildings), electrical costs and diatomaceous earth chemical costs. Examples of the increases in electrical costs and chemical costs are as follows:

Electrical costs @ Dilla Street pump station -

Period 11/08/04 - 12/10/04	116,800 KWH		
	Delivery Services	\$ 3,082.51	
	Supplier Services	7,944.73	
	Sales Tax	<u>530.48</u>	
		\$11,557.72	
Period 12/12/05 - 01/12/06	119,600 KWH		
	Delivery Services	\$ 3,696.01	
	Supplier Service	16,228.45	
	Sales Tax	<u>974.92</u>	
		\$20,899.38	81% incr.

Diatomaceous earth chemical costs delivered to Dilla Street treatment plant -

Order date 12/15/2004	44,000 lbs	\$7,700.00	
Order date 03/01/2006	44,000 lbs	\$9,077.52	18% incr.

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Town 2-14 Referring to Mr. Papuga's Direct Testimony (Pg.12, lines 16 and 17) - Please provide a copy of the report, entitled "2005 System Efficiency and Water Quality Assurance Project."

Response: Mr. Papuga did not reference any such report. Indeed, there was no such report. The referenced project involves several plant additions that contribute to the efficiency, reliability and water quality afforded by Company's water supply infrastructure. Such project involved approximately 2/3 of the post test year plant additions.

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Town 2-15 Referring to Mr. Papuga's Direct Testimony (Pg.13) - He indicates that the Company has received top rating in years 1998 to 2001, but there is no mention of such ratings since 2001. Presumably, that's four consecutive years of being below top-rated. What ratings has the Company received in the most recent four years from the MADEP? Please specify the relative ranking in each of those years and specify in detail why the ratings have been consistently inferior since 2001.

Response: **The MADEP has reduced its support and presentation of the Public Water System Annual Compliance Awards program since the program was initiated and has also modified its rating system. As noted, the Company has previously received awards for "its outstanding performance and achievement". These awards were made to the top 3 water systems. Although the Company has not attained the distinction of being listed as one of the top 3 public water systems in MA, it stills maintains a high ranking. The Company firmly disagrees with the town's presumption that its ratings have been "inferior" since 2001. Copies of the annual numerical ratings may be available from the MADEP.**

COMMONWEALTH OF MASSACHUSETTS
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D.T.E. 05-61

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding in accordance with the requirements of 220 CMR 1.05(1) (Department's Rules of Practice and Procedure).

Dated at Boston, Massachusetts this 10th day of March, 2006.

A handwritten signature in black ink, appearing to read "Eric J. Krathwohl", written over a horizontal line.

Eric J. Krathwohl
Counsel

Of Counsel for
Milford Water Company